



Annual Performance Report 2022-2023



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1. Introduction

The Council, as the Statutory Harbour Authority, presents its Annual Performance Report for 2022/3. This report contributes towards compliance with the Port Marine Safety Code, which requires the Harbour Authority to report items to the Duty Holder and port users. More generally, the report gives an insight into local maritime activity to all those with an interest in the importance of harbours' activity to the wellbeing and economic vibrancy of Orkney both at sea and ashore.

The statistical information within this report relates to the period 1 April 2022 to 31 March 2023. The report covers operational activity, economic and financial activity, safety and pollution incidents, infrastructure and staffing matters, governance, statutory provision of Aids to Navigation, Pilotage, and the Marine Environmental Unit activity. The report also provides a commentary on business developments as well as a forward look to opportunities and risks.

2. Harbour Authority Revenue Account – Income and Expenditure

In terms of the Orkney County Council Act 1974, the accounts for the Harbour operation must be kept separate from the General Fund accounts of Orkney Islands Council. The Act also allows for separate accounts for each area of business; hence, the Harbour Authority operates accounts for the Scapa Flow Oil Port operations (Flotta tanker operations, Ship to Ship (STS) transfers and offshore platform moorings) and for all other operations under Miscellaneous Piers and Harbours (including all ferry, cruise, and isles operations). It is important to note that these accounts *receive no public monies* and are dependent upon Harbour Charges which, as referred to in the Harbours Act 1964, may be collected for the sole purpose of '*maintaining, improving or managing*' the Harbour. Any surpluses from the Scapa Flow Oil Port Account are assigned to the Council's Strategic Reserve Fund, whilst surpluses from Miscellaneous Piers and Harbours are assigned to the Miscellaneous Piers Fund and the Property Maintenance Fund. These funds can be used for future projects, to offset any overspend in future years and to enable the funding of the significant burden of repairs, maintenance and improvement of the 29 piers and harbours. Any surpluses take account of loan charges to repay the debt incurred when developing piers and making vessel improvements and have the effect of decreasing any surpluses generated.

The table below provides information on the Scapa Flow Oil Port and Miscellaneous Piers and Harbours accounts for the last 3 financial years.

	2020-21			2021-22			2022-23		
	£k Exp	£k Inc	£k Net surplus/ (deficit)	£k Exp	£k Inc	£k Net surplus/ (deficit)	£k Exp	£k Inc	£k Net surplus/ (deficit)
Scapa Flow Oil Port	6,083	8,804	2,721	6,976	8,014	1,038	8,668	7,745	(923)
M, P & H	5,999	4,944	(1,055)	7,621	7,597	(24)	10,125	10,310	185
Totals	14,118	13,693	1,666	14,597	15,611	1,014	18,793	18,055	(738)

(Exp = Expenditure; Inc = Income; M, P & H = (Miscellaneous Piers and Harbours)).

The overall position for the Miscellaneous Piers and Harbours as detailed above shows an overall increased level of income of £2.713 million compared to financial year 2021/22. This increase was driven by a full cruise season. Conversely Scapa Flow Oil Port showed a downturn from the previous period, mainly driven by the continued decline in tankers calling at Flotta. The figures show a deficit on Scapa Flow Oil Port but a surplus on Miscellaneous, Piers and Harbours which also bore the costs for the Masterplan projects at Scapa Deep Water Quay and Hatston Pier, which was £1,431,171 in the year.³ Tanker Operations within Scapa Flow Oil Port

The following detail relates to the number of tankers associated with cargo uplift from the Flotta Oil Terminal and Ship-to-Ship (STS) transfer operations of crude oil in Scapa Flow during the reporting period. It should be noted that charges for Flotta tanker activity are based on the gross tonnage of the vessel, whereas charges for STS activity are based on the tonnage of cargo product transferred.

Flotta Terminal operations are the priority activity of Scapa Flow, and it is this which drives the responsiveness of pilotage and towage services. For the reporting period, there were no recorded operational delays for Flotta Terminal related activity directly from the Harbour Authority failing to meet response times or service availability. The Harbour Authority is proud of its 100% record which is a key factor in ensuring customer satisfaction for the Flotta Terminal.

Tanker movements to the Flotta Oil Terminal have decreased by three movements from the previous reporting period, resulting in 23 movements which was again below the budgeted forecast supplied by the terminal operators. Previously the Flotta Terminal had provided operational forecasts that advised projected activity of 31 tankers in 2022 and 25 in 2023. However, during the reporting period, the Terminal Operator amended its operational forecasts to reflect projected activity with an expected 24 tankers call in both 2022 and 2023. Whereas the decline in tankers calling at Flotta has reduced as predicted the actual numbers for each financial year continue to be below the figures provided by the terminal and affect the budget for the Scapa Flow Oil Port account. There is reported some opportunity for new third-party oil exports which will see a potential increase in tanker exports from 2025 but the pattern of decline will continue towards the 2030's.

STS transfer operations of crude oil also slightly decreased on the previous financial period with a 7% decrease resulting in 54 STS operations involving 112 tankers compared to 122 previously. There was a continuation of LPG STS, supporting INEOS at Grangemouth which saw 7 operations, less than the previous period although in larger parcels of cargo. This meant a total of 59 STS transfers were done in the period, although the LPG transfers were in smaller amounts of cargo transferred than the crude oil.

Cargo volumes transferred have decreased by 344,770 tonnes to 3,985,429 tonnes. The geopolitical situation in Ukraine continues to affect the market with Russian cargoes going to market via other means and holding a large stock of tankers that reduces the number of vessels available for operations. It is difficult to predict the levels going forward although oil majors and STS facilitators recognise the excellence of service delivery, experience and knowledge of local marine services staff and the ease with which operations and flexibility are dealt with.

	2020-21	2021-22	2022-23
Pipeline Product			
Total number of Crude Oil Tankers	28	26	23
Total Number of LPG Tankers	0	0	0
Total GT of tankers crude and Propane	1,782,524	1,584,321	1,327,527
Total Crude Oil Loaded (Tonnes)	2,524,955	2,2065,651	1,838,976
Total LPG Loaded (Tonnes)	0	0	0
Ship to Ship Oil Transfers			
Total number of Import tankers	83	64	58
Total Number of Export Tankers	81	58	54
Total Crude Oil Export (Tonnes)	5,809,037	4,330,199	3,934,472
Ship to Ship LNG Transfers			
Total Number of Import Tankers	0	0	0
Total Number of Export Tankers	0	0	0
Total LNG Export (Tonnes)	0	0	0
Ship to Ship LPG Transfers			
Total number of Import tankers	0	3	2
Total Number of Export Tanker	0	19	5
Total LPG EXPORT (Tonnes)	0	70,324	50,957

(LPG = Liquefied Petroleum Gas; LNG = Liquefied Natural Gas; GT = Gross Tonnage)

4. Reported Pollution Incident Summary

Pollution prevention and pollution response is a significant responsibility of the Harbour Authority and hence it is encouraging that there was only one pollution incident recorded during this reporting period, as detailed in the table below. There were no incidents associated with the oil port.

Date	Location	Information	Oil Type	Quantity
05/09/2022	Kirkwall	At 1510 hrs on 05/09/22, the skipper of the Aqua Sundouloy contacted Kirkwall Pier staff and the Safety Manager saying that they had a small spill of diesel from a balance pipe on a plant engine. Safety Manager attended but the crew had already blocked the scuppers with sorbent sausages and sorbent pads onto the deck area. An enzyme was sprayed onto the remainder. A small amount in the form of spray had entered the sea, no more than an estimated 10 litres, which quickly dispersed with the sea conditions and only a small sheen showed between the ship and quayside. Crew continued to clean up and dispose of the used sorbents. Quick actions and onboard spill kit no doubt saved a larger amount reaching the sea. Members of crew left to obtain replacement items for their spill kit. No evidence of anything was visible at 1730 hrs.	Diesel Oil	10 litres

Oil Pollution Response Contingency Returns (OPRC)

The annual Oil Pollution Response Contingency (OPRC) returns were submitted to the Maritime and Coastguard Agency (MCA) Salvage and Pollution Officer for Scotland as required by regulation in January 2023. These returns detail the incident record keeping, reporting, training and exercises conducted and completed. The returns all met with MCA approval.

Oil Spill Training and Exercises

During this reporting period 2 pollution exercises were held, and both were successfully completed. MCA Level 4 oil pollution response training was completed by two members of staff.

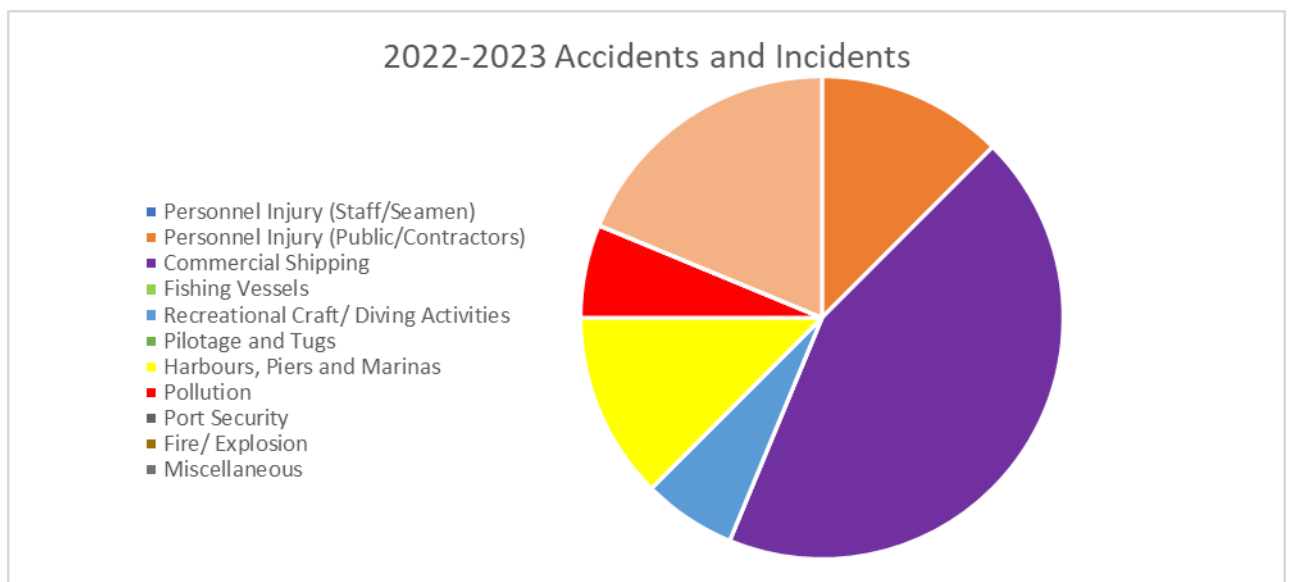
5. Port Waste Management

Port Waste Management is now wholly conducted by the Waste Officer within the Harbour structure. Record keeping and returns are of a high standard and regularly inspected by an Inspector from the Department for Environment, Food and Rural Affairs (DEFRA). The latest Port Waste Management Plan was sent to MCA in January 2023 for approval which had not been received by the end of the period this report covers.

6. Accidents and Incidents

Safe operations are the fundamental responsibility of the Harbour Authority, and the monitoring and investigation of incidents are crucial parts of a safety culture.

The following pie chart shows the range and number of reported accidents and incidents within the harbour area. The current trend, when compared to the previous reporting period, shows that the figures for accidents and incidents have increased which is more than likely due in part to the increase of interaction after the pandemic period.. All incidents, irrespective of their gravity, are now being reported and acted upon.



		2020-21	2021-22	2022-23	Trend
1	Personnel Injury (Staff/Seamen)	0	0	0	Same
2	Personnel Injury (Public/Contractors)	0	0	2	Increase
3	Commercial Shipping	4	2	7	Increase
4	Fishing Vessels	2	1	0	Decrease
5	Recreational Craft/ Diving Activities	1	1	1	Same
6	Pilotage and Tugs	0	0	0	Same

		2020-21	2021-22	2022-23	Trend
7	Harbours, Piers and Marinas	4	2	2	Same
8	Pollution	3	1	1	Same
9	Port Security	0	0	0	Same
10	Fire/ Explosion	0	0	0	Same
11	Miscellaneous	1	3	0	Decrease
12	Near Miss	1	2	3	Increase
	Totals	16	12	16	Increase

Analysis of Data

No incidents were required to be reported to the Marine Accident Investigation Branch (MAIB) in the reporting period. Towage Services and Orkney Ferries Limited operate their own Safety Management System for ship associated incidents.

Incidents involving commercial/recreational dive vessels were investigated separately by the vessels involved, the Health and Safety Executive and Police Scotland as appropriate. It should be noted that the diving incident involved the Harbour Authority directly.

Port Skills and Safety

Figures are now being returned to Ports Skills and Safety (PSS) at an increased frequency for the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) and Sea Accidents. This is to increase the awareness of trends and PSS continues to work hand in hand with the Health and Safety Executive and the MAIB.

Staff Accidents Reported

There was no reported injury to staff during this reporting period.

7. Port Marine Safety Code (PMSC) and Governance

Port Marine Safety Code

The Safety Management System (SMS) which forms part of the Port Marine Safety Code (PMSC) is continuously reviewed and the controlled version is held by the Port Marine Safety and Counter Pollution Manager and uncontrolled versions freely available on the Internet.

Designated Person (DP)

The Harbour Authority requires a Designated Person (DP) to provide independent assurance that the port is operating in accordance with the Port Marine Safety Code.

The DP has been sent monthly updates on reports and incidents which, in turn, have been discussed with the Head of Marine Services, Transportation and Harbour Master in a monthly telephone call prior to the writing of a monthly DP report.

The DP contract is currently held by Marico Marine, and they advise the Harbour Authority on ongoing compliance with the Port Marine Safety Code as well as the provision of training for members of the Harbour Authority Sub-committee.

Governance

The Harbour Authority Sub-committee, comprising seven Elected Members of the Council, is the Duty Holder for the Harbour Authority. The Sub-committee is subject to change at each election and at the mid-term review of committee membership. During this reporting period local council elections were held and a new Sub-committee appointed that saw only two Elected Members from the previous committee remain in place.

All Elected Members on the Sub-committee, as well as members of the corporate leadership team who are appointed as Duty Holders to assist when necessary, have received a training programme to enable them to undertake their Duty Holder responsibilities.

8. Pilotage

Acts of Pilotage

The Council, as the Competent Harbour Authority for pilotage, met its target to achieve all acts of pilotage within the required timescale of 2 hours' notice, 24 hours a day, 365 days a year. It also complied with its requirement to examine all applicants for Pilotage Exemption Certificates (PEC) for bona fide officers on those ships regularly calling at Orkney ports.

At the start of the reporting period there was a retirement from the pilotage team and recruitment was commenced with a new pilot starting and commencing their training. The Orkney pilots are particularly broadly skilled with few ports anywhere covering the range of pilotage activities, from STS operations to the largest cruise ships in the world.

One PEC and 36 renewals were issued during the reporting period, resulting in a total of 37 PEC holders between Serco Northlink and Pentland Ferries.

Summary of Pilotage Acts 2022/23

	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>At each Port</u>
Crude Oil Tankers	6	4	4	5	5	3	5	4	3	5	5	3	52
Flotta Pier	0	0	0	0	0	2	0	4	0	0	2	0	8
Hatston - Cruise Liner	8	34	36	50	56	26	0	0	0	0	0	2	212
Hatston Terminal	1	17	2	5	0	8	6	4	1	3	2	6	55
Kirkwall Cruise Liner	2	14	18	16	14	8	0	0	0	0	0	0	72
Kirkwall Harbour	0	0	0	0	0	0	7	0	0	0	0	0	7
LPG Ship to Ship	0	0	0	4	3	7	7	0	0	0	0	0	18
Lyness Pier	0	0	0	0	0	0	0	0	0	2	0	5	7
Scapa Flow Anchor	5	3	9	21	0	0	2	8	5	0	6	9	68
Scapa Flow Bunkers	0	0	0	2	0	0	0	0	0	0	0	6	8
Scapa Pier	2	0	0	0	0	1	0	2	0	0	0	2	7
Ship to Ship	34	24	42	20	19	19	19	30	32	14	11	16	280
St Margaret's Hope Pier	0	0	0	0	2	0	0	0	0	0	0	0	2
Stromness - Cruise Liner	0	2	2	1	7	2	0	0	0	0	0	0	14
Stromness Harbour	0	0	0	0	0	0	0	0	0	0	2	2	4
Total Acts	58	98	113	124	106	76	43	52	41	24	28	51	814

(LPG = Liquefied Petroleum Gas).

Acts of Pilotage 3 Year Comparative Overview

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Totals
2020-2021	53	37	40	40	64	51	52	92	51	47	43	63	633
2021-2022	44	57	77	54	57	78	44	45	40	26	43	65	630
2022-2023	58	98	113	124	106	76	43	52	41	24	28	51	814

Pilotage Dues 3 Year Comparative Overview

	2020-2021	2021-2022	2022-2023
Scapa Flow Oil Port	£ 1,321,579	£ 1,130,411	£996,663
Miscellaneous Piers and Harbours	£ 75,008	£ 232,353	£627,783
TOTAL	£ 1,396,587	£ 1,362,764	£1,624,445

The tables above demonstrate the impact of the return of cruise traffic on the previous reporting period, with numbers similar to those reported prior to the pandemic.

9. Towage

In the previous reporting period the Harbour Authority welcomed two new tugs, Thor and Odin of Scapa, and they were joined by a third new tug which was named Freyja of Scapa. Also in this period one of the older tugs was sold to new owners in the Baltic.

Flexibility of operations was improved by the recruitment and deployment of a further crew to cover operations during this period. This was needed as a result, largely, of the continuing work in STS which is very towage intensive, as well as tug work in support of semi-submersible rigs and other vessels in Scapa Flow. Collectively, this scope of work has underpinned the broad range of skills deployable by Orkney towage crews and pilots and has enabled a busy year to be undertaken with no safety incidents.

Although not part of the Orkney Towage effort, the MCA Emergency Towing Vessel (ETV) continues to use Kirkwall as its main base although it still spends much longer at sea on risk-based tasking. There have been several taskings for the ETV, some of which have been supported by the Orkney Harbour Authority tugs and the ETV requirement is under constant review.

10. Aids to Navigation (AtoN)

As a Harbour Authority, Orkney Islands Council is the Local Lighthouse Authority and as such must undertake statutory duties associated with those responsibilities. A report into the availability of the Harbour Authority's various Aids to Navigation (AtoN) is therefore prescribed by regulation. Performance is monitored and

periodically audited by the National Lighthouse Authority, namely the Northern Lighthouse Board (NLB).

As prescribed by the International Association of Marine Aids to Navigation and Lighthouse Authorities (IALA) and contained within the Port Marine Safety Code, the amount of time the AtoN are required to be available is dictated by their category. The category is a product of the AtoN importance in reducing risk to the mariner.

The required standards are as follows:

- Category 1: 99.8%.
- Category 2: 99.0%.
- Category 3: 97.0%.

In the table below, the following applies:

- OOS means Out of Service.
- MTTR means Mean Time to Repair.
- MTBF means Mean Time Between Failures.

AtoN Availability by Category

IALA Category	No. of Aids	Max Hours	No. of Failures	OOS Hours	MTTR	MTBF	Availability	Target Availability
Orkney Islands Council								
CAT 1	11	96,096	0	0:00	0:00	0:00	100.00	99.80%
CAT 2	54	471,744	4	72:35	18:09	117917:51	99.98%	99.00%
CAT 3	0	0	0	0:00	0:00	0:00	0.00%	97.00%
No Category	0	0	0	0:00	0:00	0:00	0.00%	0.00%.

AtoN Availability by Individual AtoN (Lights, Markers and Buoys)

ALLFS No.	Aton Name	IALA Category	No. of Failures	OOS Hours	MTTR	MTBF	Availability	Target Availability
Orkney Islands Council								
	Stromness Harbour Can Buoy	CAT 2	1	5:45	5:45	8730:15	99.93%	99.00%
	Stronsay – Papa Sound No. 1	CAT2	1	40:45	40:45	8695:15	99.53%	99.00%

ALLFS No.	Aton Name	IALA Category	No. of Failures	OOS Hours	MTTR	MTBF	Availability	Target Availability
	Stronsay – Papa Sound No.4	CAT 2	1	6:35	6:35	8729:25	99.92%	99.00%
A3665	Graemsay Moan Pier Head	CAT 2	1	19:30	19:30	8716:30	99.78%	99.00%
At or above target								
Within 10% of the target								
More than 10% from the target								

Any AtoN failure is in the main related to wear and tear of equipment. The out of service hours can be compounded due to either a greater problem than was initially reported, availability of spare parts and/or time and opportunity through adverse weather to access the AtoN to effect repairs.

Several AtoN are serviced through arrangements with the NLB and this arrangement continues to work well.

All failures of the AtoN included in this report were reviewed by the NLB and all highlighted anomalies were addressed and monitored by the Board. The information provided in this report has been reviewed and accepted by the NLB.

11. Cruise Ships

The 2022-23 season of cruise ship calls to Orkney saw a return to the levels experienced pre-Covid with 156 calls visiting, the same number as 2019-20. Passenger numbers were also similar, being within 3% of 2019-20. The major difference was in the tonnage of the vessels with a 40% increase since the last full season. This had the primary effect of increasing the port revenues by £1,190,895.60.

Cruise Ship Comparative Data

	2019-20	2020-21	2021-22	2022-23
Port Calls	156	0	25	156
Gross Tonnage	5,256,422	0	2,055,437	7,332,471
Passengers	131,506	0	19,347	128,018
Port Dues	£1,574,282.00	0	£604,962.71	£2,384,989.02
Passenger Dues	£217,845.00	0	£33,550.25	£320,045.00
Pilotage	£437,341.80	0	£155,916.25	£606,944.56
Other services	£79,422.57	0	£2,552.55	£187,808.49
Revenues	£2,308,891.30	0	£805,773.51	£3,499,786.90

This was the first season with a new security provider, and the overview was that they fitted seamlessly into the existing teams working the piers. Marine Services staffing issues remained, and it is to be noted that, for the number of cruise calls, the lack of a piers co-ordinator through the season put pressure on other staff to manage the calls.

The cruise industry has shown an ability to recover from the complete loss of business in 2020 and most of 2021 and that there is a strong potential for cruise holidays. The location of Orkney, the destinations available and itineraries possible as well as the shoreside support means that Orkney was in a prime place to also recover. The effects of the pandemic were still seen at the start of the season with a number of cancellations, but passenger numbers remained higher than expected.

12. Vessel Traffic Services

The Vessel Traffic Services (VTS) system of radar and CCTV sites has operated reliably during the reporting period and the system was kept up to date with upgrades, meaning that VTS has therefore been fully operational, with qualified staff all to the approved standards as required by the MCA during the period.

13. Marine Environmental Unit

In 2022 monitoring of eleven sandy shores were carried out. The sites were visited during the months of March and April and samples for benthic macroinvertebrate and

sediment particle size were collected. Data analysis for these samples had not been completed at the time of writing.

Marine non-native species monitoring surveys were conducted during the months of May to October. The monitoring included:

- Intertidal surveys.
- Benthic soft sediment sampling.
- Scrape sample collections from navigation buoys and Visiting Yacht Mooring buoys.
- Phytoplankton and zooplankton sample collection using plankton nets.
- Visits to all three of Orkney's Marinas.
- Salinity samples.
- Sea water temperature logging.

All samples were sent to a taxonomic laboratory for identification. Fourteen marine non-native species were identified, all had been recorded in Orkney previously.

As per the Orkney Islands Council Ballast Water Management Policy for Scapa Flow, ballast water samples were collected from all vessels wishing to de-ballast in Scapa Flow. Phytoplankton, zooplankton, salinity and bacterial samples were collected from each vessel by a contracted sampling team. Treated ballast water was tested in-house using the BQUA testing kit, untreated ballast water was sent to a taxonomic laboratory for plankton analysis and identification. In July 2022 a case study on the ballast water trial carried out in 2021 was published in collaboration with LuminUltra:

- BQUA Plus test kit evaluation for a local port authority ballast water policy <https://www.luminultra.com/resource/bqua-plus-valuation-for-a-local-port-case-study/>

Potable water samples were collected and tested by the Marine Environmental Unit from Orkney Ferries vessels, Marine Services vessels and from all main pier outlets. Software maintenance of the seven Marine Services weather stations was carried out as and when it was required, and monthly data download and processing was carried out.

The Marine Environmental Scientist with Marine Environmental Unit attended the International Centre of Explorations of the Seas (ICES) Working Group Meetings in March. The meetings for the ICES Working Group on Ballast and Other Ship Vectors and ICES Working Group on Introductions and Transfers of Marine Organisms were both held virtually and brought together experts from 20 countries to discuss the latest development and research in each subject group.

14. Ferry Traffic – Miscellaneous Piers and Harbours

The ferry traffic to and from Orkney Islands Council Harbours is set out below. These statistics do not include St Margaret's Hope which is not part of the Harbour Authority area but operates as a Trust Port.

Serco NorthLink Ferries Ltd

Traffic on Stromness - Scrabster Route (Hamnavoe)

Year.	Passengers.	Accompanied Cars.	Commercial Vehicles.	Freight (tonnes).
2020-2021	42,454	18,141	4,812	23,735
2021-2022	115,900	41,331	5,331	21,312
2022-2023	139,724	46,820	6,716	26,187
% Change	20.6%	13.3%	26.0%	22.9%

Traffic on Kirkwall-Aberdeen-Lerwick Route

	Passengers.	Accompanied Cars.	Commercial Vehicles .	Freight (tonnes).
2020-2021	13,007	3,657	10,507	98,191
2021-2022	35,764	7,877	11,398	101,736
2022-2023	48,933	9,628	9,882	83,381
% Change	36.8%	22.2%	-13.3%	-18.0%

John O Groat's Ferries

	Passengers
2020-21	0
2021-22	4,815
2022-23	15,968
% Change	231.6%

Orkney Ferries Ltd

	Passengers.		Cars.		Total.
	Outer.	Inner.	Outer.	Inner.	
2020-2021	40,865	117,621	24,066	41,244	2022-23 Total OF Passengers = 320,907 (Northlink totals both routes = 188,657) 2021-22 Total OF Cars = 131,178 (Northlink totals both routes = 56,448)
2021-2022	85,017	200,129	20,249	43,069	
2022-2023	98,043	222,864	39,206	91,972	
% Change	15.3%	11.4%	93.6%	43.9%	

Comment

This being the first full season after the pandemic most of the statistics show a marked increase across all the companies for all types of traffic. The only negative was the decrease in commercial vehicles and freight on the Northlink Kirkwall – Aberdeen – Lerwick route.

15. Staffing

As previously reported the staff size at the Harbour Authority remains largely the same since 2012 when there were 50 cruise ships, 12 Flotta tankers and no STS or semi-submersible operations, without even considering the work on the major projects.

On the Masterplan, the appointment of the Technical Advisors was completed during the period and was a success that enabled the timelines to be attained. Within the Harbour Authority the planned increase in staff numbers was completed in the administration with a full team being employed by the end of the period and a new Marine Database Administrator being employed. Also added to the team was an Assistant Harbourmaster (AHM) to work under the Deputy Harbourmaster (Operations). Unfortunately, the latter role became vacant as the post holder left to take up a position at another port. This is a critical role and by the end of the reporting period was still vacant and compounded by the AHM also giving notice of employment meaning that a full cruise season would be started with a lack of senior staff in the operations department.

Two new roles were created as Pier Operations Supervisors to work back-to-back on the pier during cruise. Another new role was a Cruise Operations and Marketing Co-Ordinator, this role being a key support to the Business Development Manager in the handling and managing of the growing cruise sector.

It is be hoped that the key operations roles are filled early in the next reporting period to enable the Harbour Authority to continue to function efficiently.

Collective and emergency training ashore continues to be an area for attention and team and individual pollution training has continued to take place. Pilotage training of new employees is an ongoing task and, importantly, refresher training for members

of the Harbour Authority Sub-committee and senior Council officials has been undertaken.

16. Current and Future Activity

The Harbour Authority has three main income streams, namely Scapa Flow Oil Port, Cruise traffic and ferry links. All these sectors showed a rough return to pre pandemic levels in the numbers and income although, as noted above, there is a continued decline in the number of tankers calling at the Flotta Terminal. This indicates that the current market position for the Harbour Authority is strong, if susceptible to events outside of local control.

The major difference from the previous report is the return of a full cruise season which impacts the income for the Miscellaneous Piers and Harbours account and pilotage figures. Orkney is a premier location for cruise in the North of Europe and was affected by the Russian invasion of Ukraine, in a positive manner, with cruise lines moving calls out of the Baltic.

As previously reported the Scapa Flow Oil Port was in a strong position during the pandemic and the national and natural asset that is Scapa Flow continues to be recognised as the preferred location for safe STS operations and shelter for semi-submersibles.

The disruption in the economic markets and 'cost of living' increases were seen in high energy prices affecting all aspects of operations. The increase in fuel costs meant that a fuel surcharge was introduced in the reporting period to cover these costs. The additional charge was applied to towage and pilotage charges.

The impact of the Crown Estate Scotland announcement of the ScotWind leasing bids gave impetus to work on the projects that are being developed. Both the Hatston Pier extension and Scapa Deep Water Quay projects continued to move forward. Engagement with the developers, government agencies and trade associations continued through the reporting period and staff attended the following events:

- All Energy in Glasgow
- Renewables UK Global Offshore Wind
- Scottish Renewables Floating Offshore Wind

The work on the projects continues to progress as they move towards a series of milestones that would determine the future viability of both the Scapa Deep Water Quay and Hatston Pier.

Although there is some resilience in the sectors that are critical to the Harbour Authority the decline in oil and gas movements is a risk that highlights the need for diversification. The Offshore Wind sector is the main opportunity for developing a strong identity for the future developing the infrastructure to make the most of the opportunity a vital task for the Harbour Authority.

17. Conclusions

This report covers the first full year of trading post the pandemic and therefore gives a clear reflection of the health of the current trading position. It is testament that in most sectors, trading has returned to pre-pandemic levels. In some cases, such as cruise and leisure visitors, there has been an increase. This has meant that revenues, have not only covered costs of operating this year, but has also provided sufficient capacity to cover the costs of significant infrastructure investment without the need to expend money from the Harbour reserves.

This positive trading position has been delivered despite ongoing detrimental effects of world events, in particular the Russia, Ukraine war. For a large part of the year this adversely affected the global oil markets, creating instability in trading, and tying up a significant proportion of the oil tanker fleet. This has had a direct effect on the number of Ship-to-Ship transfers, which is down significantly on the last two years. This has been offset to a small extent by the ongoing support by the Harbour to INEOS and its Grangemouth operation, as a base for transshipping Liquid Natural Gas, to shuttle delivery tankers. Despite such difficult market conditions, it is pleasing to see that the flexibility and suitability of the Harbour as a sheltered location for such operations is both appreciated and sought by traders and owners, as they look to reorganise the sector.

Flotta based operations has continued to decline as forecast by the terminal operator, but perhaps a little sharper than anticipated. This negative trend is due to continue over the next 10 years if additional fields are not brought into production in the near term. Such additional production will only add a few years to the economic viability for the harbour of the operation, which on current trends is unlikely to be longer than 5 years.

Given this downward trend in a significant part of the Harbour business, work continues to identify a stable, long term, alternative revenue stream. The ongoing development work and the master plan are providing the basis of this work, which is looking to transition the port away from its current dependency on oil. The opportunities within the offshore energy generation sector, particularly Offshore Wind are considerable, sustainable, and long term. The work undertaken to date has been acclaimed within the sector and will be a much-needed boost to both the Scottish and UK's contribution to climate change.

This has been achieved by a small, dedicated, driven team that once again, have provided safe, customer focused service throughout the year. With the growth potential within the Harbour and its plans, this team will need to be expanded, to meet customer needs, provide resilience and keep paced with ever changing regulation. The current state of the port sector, with high demand in certain skillsets, will make this challenging, as the Harbour restructures in the coming years.